

# CONSUMER INFORMATION AND THE NEW COMPLEXITY OF DECISION MAKING

by Ellen Veccia

Today's unforgiving marketing environment demands that companies tap a new set of tools to understand consumer behavior

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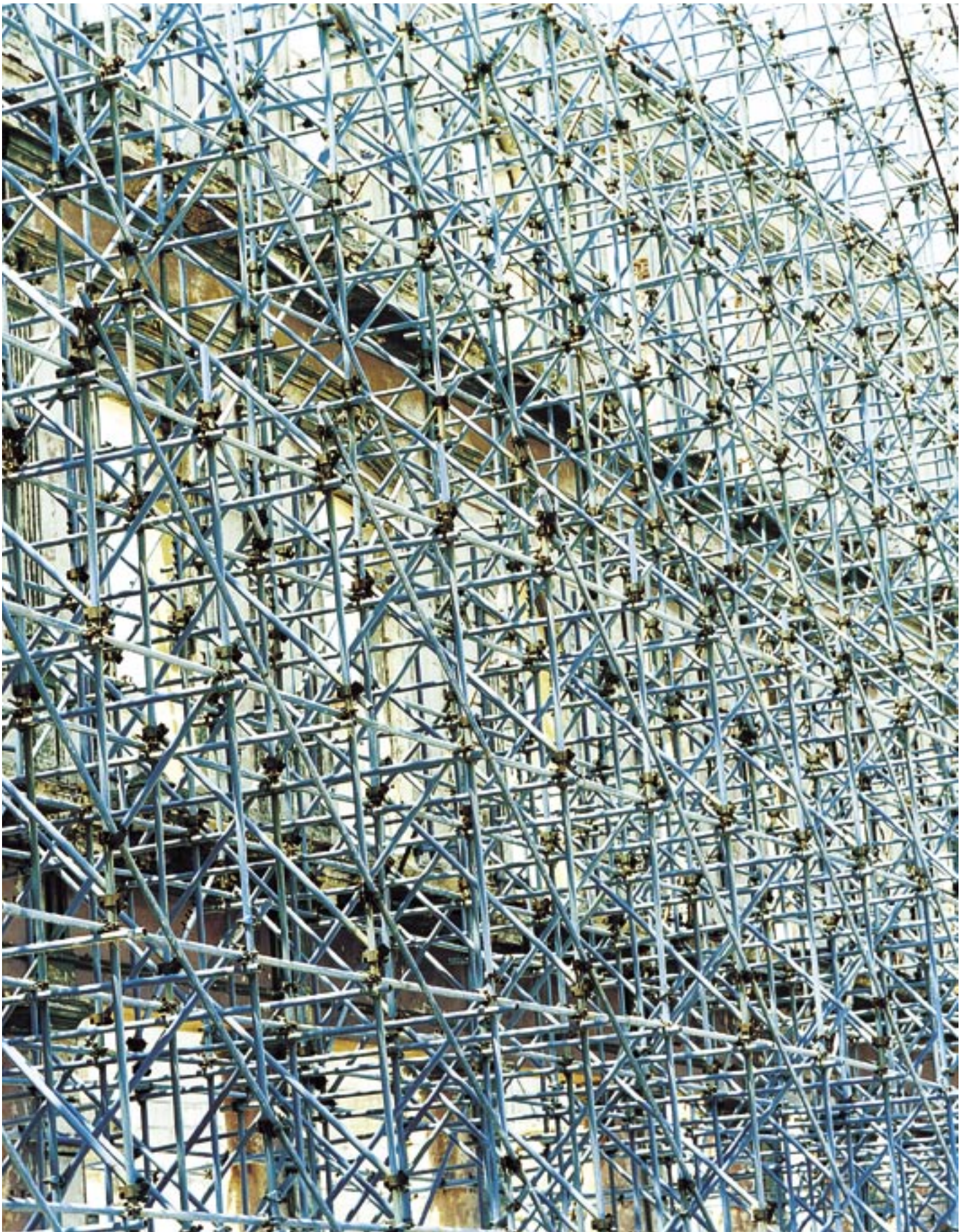
Marketing in the 21<sup>st</sup> century is complex in ways that marketers—and consumers—of the past could never have imagined. What goes through a consumer's mind when he walks into Circuit City and sees 250 different televisions in all shapes and sizes—knowing all the while that an entirely new set of choices will be there just a few months later? How does a shopper mentally sort through 150 choices of yogurt, scores of shampoos, or dozens of breads? Given the growing time pressures on today's consumers, the challenge is mind-boggling.

As marketers, it's our job to look inside these consumers' minds and understand how they are making decisions in today's cluttered, speed-of-light environment. But most of the techniques available for understanding

consumer choices still assume that product and service innovation is moving slowly—that consumers have more time to learn about their options, and that those options are relatively constrained.

We are never going back to simpler times. And if consumer psychology has changed for good, what does that mean for marketers and their companies? How will they inform decisions—which must be made more swiftly than ever—if consumer insight techniques have not kept pace?

The result has been a questioning of the value of market research when it comes to such things as brand planning and input to the granularity needed in the marketing plan. Marketers have begun to feel that research all too often equates to long,



expensive, and—worst of all—directionally inconclusive results. Why would anyone rely on something that, in the end, does not provide the guidance that was its reason for being?

#### A DISCIPLINED DEVELOPMENT PROCESS

The journey to rebuild the science of consumer choice is well under way. To meet this growing demand, a new science of marketing insights is emerging—one tailored to the complex, competitive marketplace and breakneck pace that are the hallmarks of marketing today.

These solutions deliver the qualities marketers need when they are developing a new product or established brand marketing effort:

- **speed:** actionable results on a schedule that mirrors the new breed of hyper-quick launches
- **differentiation:** insights that provide a clear basis for decision making by illuminating the differences in consumer choice that drive purchase and/or usage
- **scalability:** the flexibility to match the scope and cost of the research to the task at hand

Such studies need to be built into a disciplined approach to product development and marketing. To maximize efficiency, the insight provider needs to be invited into the process as early as possible, to allow adequate preparation for the extreme rush that will inevitably accompany the actual project once it has begun. This does not mean building extra time into the process—just preparation

and thought that will allow things to run smoothly.

The system should be developed at levels that are based on the financial risk you are facing and the complexity of your decision. You can likely tolerate more risk if the product plan does not require high levels of financial investment (e.g., no manufacturing process changes are required). Even products (or product changes) that represent lower up-front financial risk can carry unanticipated risks in the marketplace; but it is possible to make a reasonable estimate of the risks involved at every stage and plan accordingly. Your SOP should also take into account

- the number of attribute variables associated with the product
- competitor offerings
- existing consumer research on the category

You can use all of these factors to assess the intricacy of the project and the research solutions that will inform it. Extending an existing line of sailboat polishes—an area of relatively stable competition—is not going to require the same solution as a telecommunications bundle with dozens of potential feature combinations, as well as quickly shifting competitors with equally complex offerings.

#### A POWERFUL MEASUREMENT ALTERNATIVE

Once you have established your levels of risk and complexity, it is essential to identify a research approach that offers what you need.

Knowledge Networks frequently leverages forced-choice techniques that can be adapted to studies of nearly any depth and scope. When applied expertly, these approaches yield

- greater differentiation among the options
- heightened respondent engagement
- minimal bias compared to conventional ratings and rankings of long lists of options

Forced-choice methods isolate the drivers of consumer acceptance by requiring that respondents make trade-offs across items. Some items must be more likely to be chosen than others, elevating effective concepts and forcing others to the bottom of the list. We've used these proven techniques extensively with Fortune 500 clients, guiding the core development and marketing efforts for dozens of products. Two hypothetical case studies illustrate the flexibility and precision of a forced-choice approach.

Let's look at a theoretical telecommunications provider who wants to examine which benefits consumers would find more compelling in a broadband service provider. Telecom and video service bundles can take so many forms, and are such a source of confusion in consumers' minds, that the project is complex by nature.

With forced-choice techniques, we could assess the importance of the Internet access benefits to the client's present customers—essential information for developing both the product line and the subsequent

marketing plan. This analysis brings the advantages that resonate into dramatic relief (*see Chart 1*). In our hypothetical example, issues that normally score well on conventional measures of importance, such as “ease of use” and “customer service,” are really not the primary drivers of customer choice. Instead, “speed,” “reliability,” and security issues would be the key messages recommended for the telecommunications provider's marketing plan.

We can also analyze the data further to reveal how the benefits of each potential service offering played out with key user groups. In *Chart 2*, our hypothetical example shows that “reliability” is more than twice as important to heavy vs. light users. We also see that security, speed, and price are much more compelling to moderate users than to

See Chart 1  
on pg. 19

See Chart 2  
on pg. 20

FORCED-CHOICE METHODS ISOLATE THE DRIVERS OF CONSUMER ACCEPTANCE BY REQUIRING THAT RESPONDENTS MAKE TRADE-OFFS.

the other two groups. When developing a service package and marketing campaign for a moderate-user audience, this kind of information would be essential to making wise decisions.

This study would arm marketing professionals for the telecommunications service provider with very telling data—some of which goes against “gut instinct”—that indicates it would be a mistake to market their broadband service's ease of use and the

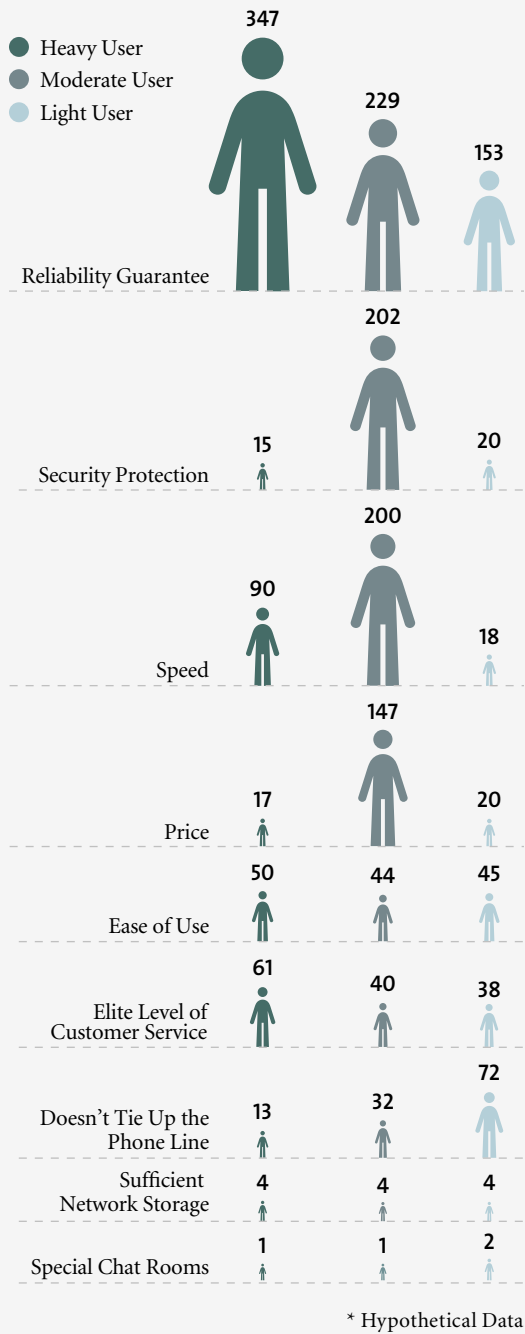


company's superior customer service. The marketing campaign, in fact, would need to incorporate several messages, to several customer markets, highlighting the value proposition of broadband and focusing on reliability, instant access and speed.

#### ASSEMBLING A SMARTER SERVICE BUNDLE

Forced-choice can also take on the more challenging, complex aspects of the product/service development process. Extending our hypothetical telecom

**CHART 2: DIFFERENTIATING EFFECTIVENESS OF BENEFITS MESSAGES AMONG INTERNET USAGE SEGMENTS\***



example, we are able to look at the effects that adding or subtracting single features or feature sets have on acceptance. *Table 1*, for example, shows dramatically different acceptance rates resulting from the addition of just one feature—the opportunity to order voice-over-Internet (VoIP) phone service.

See Table 1 on pg. 21

Using this approach, we could switch dozens of potential features in and out and study their appeal to specific target audiences—the importance of price, promotional offer, installation fees, and other variables to acceptance. This kind of trade-off study allows marketers to get inside their consumers' minds to study decision drivers. The result is a better understanding of the marketplace for your products and a much greater likelihood of product success.

**ATHLETIC WEAR THAT MEETS ACTUAL PREFERENCES**

Another hypothetical study shows the adaptability of this approach to a simpler project. An apparel manufacturer is planning a new imaginary clothing line and needs to know which features consumers value most in athletic wear. Once again, the results are surprising and informative. Relatively common values in the retail industry—such as “stylish,” “brand I trust,” and “good value for the money”—do not fare as well as “comfortable to wear,” “durable and long lasting,” and “high quality.”

Marketers for the company would realize that their original approach—to highlight the company's fashion value and price points—would need to be shifted to secondary messages or not addressed at

In our hypothetical telecom example, we are also able to distinguish the optimal messaging for heavy, moderate, and light Internet users.

**TABLE 1: ESTIMATING PACKAGE ACCEPTANCE AMONG OWNER GROUPS\***

Provider	Telco		Cable Company		Satellite Company	
VoIP	—	+	—	+	—	+
Internet Access Service	DSL at 10Mbps		Cable Modem at 10Mbps		Satellite at 10Mbps	
Price	\$29.95		\$29.95		\$29.95	
Promotional Offer	Free Installation		Free Installation		Free Installation	
Feature	Firewall		Firewall		None	Firewall
Telephone Service Option	None	Unlimited Local and Long Distance VoIP for 29.95/month	None	Unlimited Local and Long Distance VoIP for 34.95/month	None	Unlimited Local and Long Distance VoIP for 29.95/month
Total Packaging	\$29.95	\$59.90	\$29.95	\$64.90	\$29.95	\$59.90
Preference Share (Percent)	47	58	50	41	3	1

Forced-choice also can tell our telecom provider the likely levels of acceptance for packages “with” versus “without” VoIP.

Without VoIP  
 With VoIP

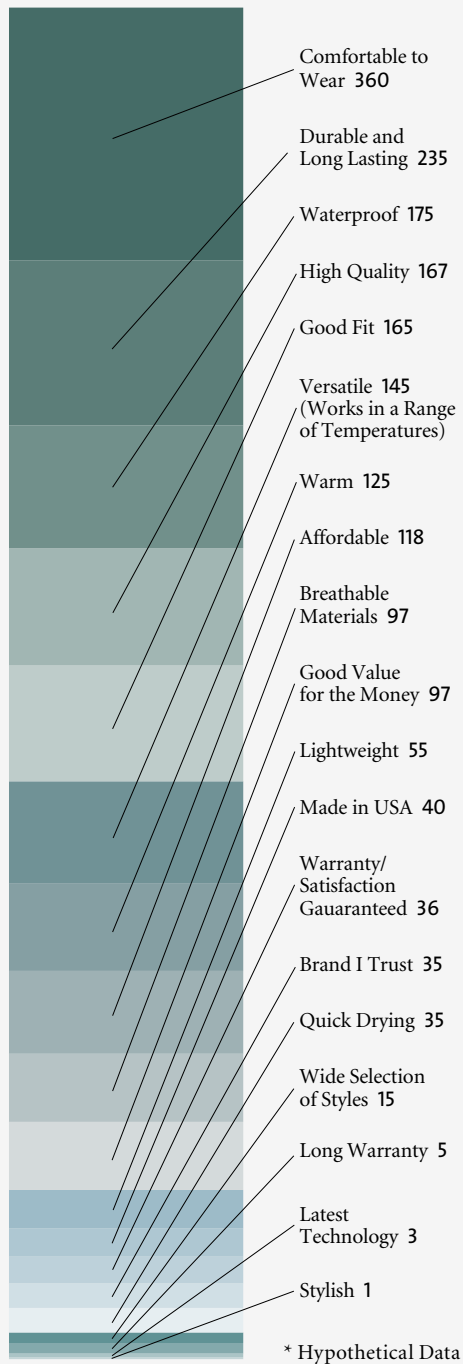
\* Hypothetical Data

all, depending on the project’s budget and geographic or demographic rollout. If the marketers had used a more conventional approach to evaluating attributes, they might have spent that budget erroneously, hampering the product line from the start.

**NEW TECHNIQUES FOR A NEW MARKETING WORLD**

In today’s consumer environment, the extreme saturation of brand choices and advertising exposures has remade the process of product and campaign planning.

**CHART 3: FEATURES MOST VALUED IN A CLOTHING PRODUCT\***



Forced-choice clearly shows a hypothetical clothing maker the features consumers value most in a line of athletic wear.

Marketers must work more quickly to develop more products—and demonstrate the efficiency of their efforts, to boot. In many categories, competitive offerings have become so numerous and overlapping that both marketers and consumers are challenged to keep pace.

Created in an era of fewer, less-intricate choices, conventional research tools cannot meet the needs of this new, extreme marketing world. And when they are applied, too often they produce results that leave the marketer with little in the way of clear guidance. A fresh generation of marketing tools is needed to clearly, accurately—and speedily—separate winners from losers, allowing marketers to make timely decisions that will serve their companies well.

This new kit of tools is already taking shape. Forced-choice techniques can adapt quickly to projects of many sizes and deliver differentiated results. They simulate more accurately the consumer’s decision-making process and can represent complex arrays of features, benefits, and competitive choices.

By building such studies into a disciplined marketing program—one that makes product research a workable element of every effort—companies can minimize risk and leverage their products even under the extreme conditions now known as “business as usual.” ▀

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